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safeguard. Indeed, it is no safeguard at all.

The Senator rightly points out that a number of exemptions are provided in the bill, and that those exemptions will permit the outflow of capital which is sought to be precluded by the proposed tax.

The remedy is to eliminate the exemptions, not to render the whole bill meaningless by placing reliance exclusively upon voluntary compliance.

Therefore I hope the Senate will reject the amendment of the distinguished senior Senator from New York.

I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. GORE. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. JAVITS. Mr. President, I regret that it was necessary for me to absent myself from the Chamber and that I was therefore, unable to hear the distinguished Senator from Louisiana [Mr. Long] analyze my statements with respect to the bill. I shall deal with his remarks in due course. At this time, I should like to proceed with my argument in chief.

When I yielded the floor a little while ago, I made the point that even if Congress imposed the interest equalization tax, it would not result in reducing the outflow of dollars represented by private investment. The best evidence of that is found in the testimony before the committee itself. Witnesses testified that as soon as the uncertainty concerning whether the tax would be imposed or not—which uncertainty has existed by executive fiat, really, since July 1963—was lifted, securities flotations, in their judgment, would be just about what they were before, because two reasons intervene.

First, interest rates in the United States for the sale of prime securities of overseas borrowers are such that it would still be profitable, notwithstanding the 1-percent addition to the rate of interest, to raise money in the United States. I have before me a table of the interest rates now generally prevalent in the other major industrial countries, which are the primary countries that would be reached by the inhibition of the interest equalization tax. They show current long-term interest rates. The table shows that except for one country, Switzerland—and I shall deal with that situation in a moment—even after one adds 1 percent to the long-term rate of interest in the United States, it would make it profitable to raise money here.

For example, the Canadian rate of interest in June 1964 was 5.19 percent. The rate of interest in France, the last figures we have being for May 1964, was 5.49 percent. The rate of interest in the United Kingdom is 6.16 percent. These are the average rates of current interest on first-rate long-term securities of the kind we are discussing.

In the United States, the comparable rate is 4.13 percent. So when we add the 1-percent difference that would be added by the interest equalization tax, the rate in the United States would be less than it is, notwithstanding the difference, in Canada, France, Germany, and the United Kingdom, the principal industrial countries of the world.

Switzerland is one country in which the rate of interest is less than it is here. In Switzerland, the rate is 4.05 percent. But Switzerland does not raise any appreciable amount of money that would be reached by the interest equalization tax; nor can much be done about raising money in Switzerland, because there is very tight control by the Swiss themselves over their borrowing, not through any interest equalization tax, but through direct Government action. In addition, Swiss markets will not absorb very much in the way of financing. So for these built-in reasons, the Swiss situation represents no analogy to our situation.

As to our situation, the fact that the other industrial countries have higher interest rates, which will easily accommodate the 1-percent differential which the tax will impose, makes it very clear that this will be no inhibition on borrowing.

Second, it is well known, and was testified to time and again in the hearings before the Committee on Finance, that the United States is the only market in the world in which appreciable amounts of money can be raised, not that it is entirely raised from American sources. On the contrary, it is estimated that, until recently, only about 40 percent was raised from American sources. This percentage may be greater now. The rest is raised from sources abroad.

This is borne out by the committee itself, from figures which the Senator from Ohio [Mr. Lausche] and I discussed a while ago, which showed that, according to figures in the committee report, in round figures, about one-third of the flotations in this country were sold to Americans. This is without taking account of the many exceptions which the bill would create.

The importance of the American market is its marketing organization. The importance of the American market is that our banking firms are experts in the distribution of securities. So although they distribute less than a majority of the securities in the United States, their distribution sources and their prestige throughout the world are so great that they constitute the best marketing organizations in the world for securities.

AMENDMENT OF FOREIGN ASSISTANCE ACT OF 1961

The Senate resumed the consideration of the bill (H.R. 11380) to amend further the Foreign Assistance Act of 1961, as amended, and for other purposes.

The PRESIDING OFFICER. The morning hour having expired, the Chair lays before the Senate the unfinished business, which will be stated by title for the information of the Senate.

The LEGISLATIVE CLERK. A bill (H.R. 11380) to amend further the Foreign Assistance Act of 1961, as amended, and for other purposes.

INTEREST EQUALIZATION TAX ON CERTAIN FOREIGN SECURITIES

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the unfinished business be temporarily laid aside and that the Senate resume the consideration of the bill (H.R. 8000) to amend the Internal Revenue Code of 1954, to impose a tax on acquisition of certain securities in order to equalize costs of longer term financing in the United States and in markets abroad, and for other purposes.

There being no objection, the Senate resumed consideration of the bill.

Mr. JAVITS. Mr. President, as I pointed out a moment ago, it is the distribution organization of American banking firms which makes this market the most desirable in the world, and which will continue to make it the most desirable in the world, in view of the fact that there is no interest advantage. On the contrary, the advantage will still be with the flotation in this market. The tax will not diminish the flow of investment which moves abroad out of the United States but will, on the contrary, have a deleterious effect, which I have described, on the American banking position. This is borne out by Secretary Dillon himself. In a letter to me dated May 28, 1963, he said:

Even if long-term interest rates rose above those in Europe and Japan, we would expect foreign governments and corporations, particularly those needing relatively large amounts of money, to resort to the highly developed U.S. market.

It seems to me that that is a direct admission by the Secretary of the Treasury as to the inability of this particular bill to have the effect which is claimed for it.

I have already pointed out the fact that the interest rate differential would still leave the interest rate in the United States lower. In addition, underwriting costs in Europe are considerably higher than in the United States. This is a third reason why borrowing would continue to be pursued in this country.

Furthermore, a decrease in the U.S. capital supplied to foreign markets would result in an increase in demand for foreign capital and a pressure for higher interest rates abroad. While the interest rate spread between the United States and Europe initially would be reduced by approximately one percentage point under the bill, the spread would probably return to approximately its pretax size after the offsetting increase in foreign rates that would really result.

Mr. President, I ask unanimous consent that a table entitled "Level of Long-Term Rates in Selected Countries," based on data supplied by the Federal Reserve Board, to which I have referred, may be printed in the Record.

There being no objection, the table was ordered to be printed in the Record, as follows: